



Colorado City and County Managers Association 2021 Conference



Commercial Real Estate Post Pandemic

Traditionally, commercial office as an industry has been a sleeping giant in the gross national product, at least when it came to people's awareness of it.

204,406,193,008
Contribution to the GDP

Four Stages of the Pandemic

Stage One:

- Tenants and property managers scrambling to make practical sense of quarantines and lockdowns.
- Conversations revolved largely around hastily constructed work-from-home (WFH) protocols and the placement of plexiglass and hand sanitizer stations.

Stage Two:

- the office space industry normalized under new—but often changing—rules of engagement as we grew accustomed to wearing masks and adjusted (at least somewhat) to working mostly in solitude.

Stage Three:

- Decision-makers at the tenant level are at least planning for a return to work, albeit in fits and starts and in numbers still greatly reduced from the days of full occupancy.
- property managers stand at the ready to support that return.
- vaccines more widely available, which would bode well for occupancies, but cases of the virus remain high in many markets

Four Stages of the Pandemic

Stage Four:

- How will the office of the mid-term future look both in physical appearance and in the protocols that will ensure tenant confidence?
- More importantly, how will decision-makers at both the tenant and property levels adjust to new definitions of how their businesses operate?
- Will they recognize, embrace and instill throughout their organizations the new-age culture that such dramatic changes in layout and operations will bring?
- What about employee rebellion at the call to return?
- Reality of requiring vaccinations.

BUILDINGS operations

Buildings never closed

Cleaning costs

Day Porter
COVID Clean

Energy Usage

Rents

BUILDINGS tenants

Expectations

Communications

In-Limbo

Rents

BUILDINGS health

Supports the physical, psychological, and social health and well-being of people in buildings and the built environment. Buildings can be key promoters of health and well-being since most people spend a majority of their time indoors.

TENANTS economics

Leasing

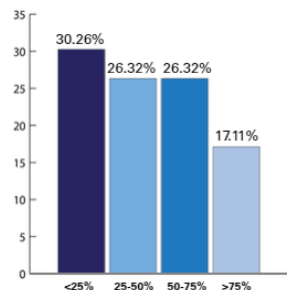
Rent

CAM

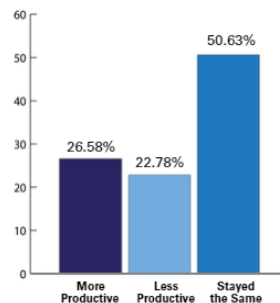
Costs for transition
to WFH

Taking Stock of Post Pandemic Planning

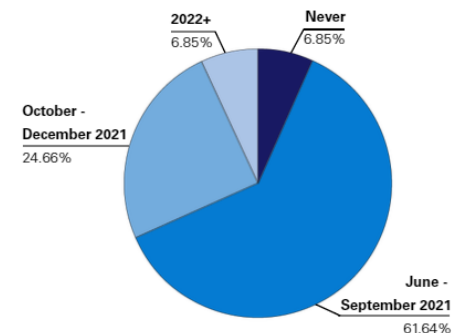
% of Employees Who Want to Return to the Office Full Time Post Vaccine



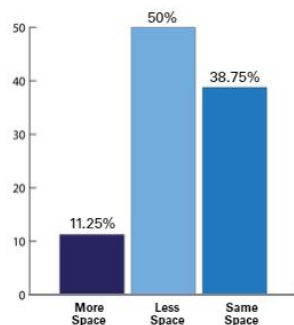
Productivity During Work from Home



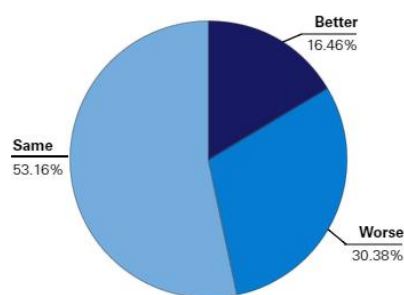
Timeline for Reoccupying the Office



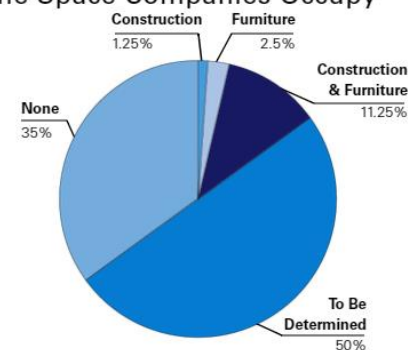
Changes to the Space Companies Occupy



Company's Culture Since March 2020

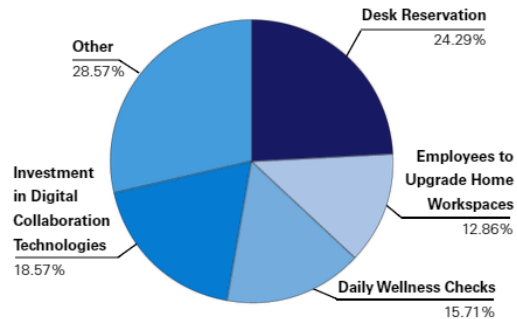


Planning Major Reconfiguration to the Space Companies Occupy

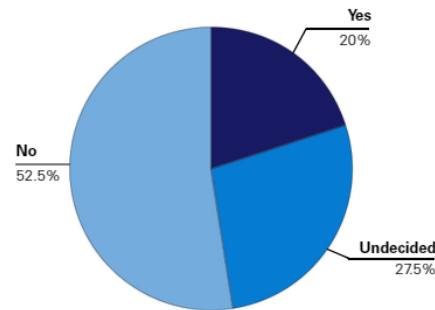


Taking Stock of Post Pandemic Planning

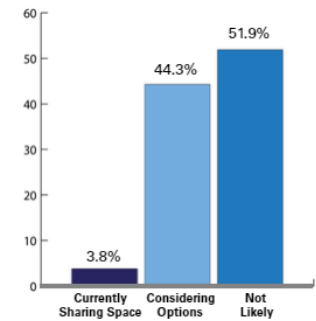
Considering Changes to how Companies Occupy Space



Changing Space/Location Due to Covid



Will Utilize Co-Working or Shared Office Space Post-COVID



- **Office space no longer stops at the office.** Leaders must consider how to equip all workers with the tools they need to contribute — whether they're working from home, the manufacturing floor, in the office, or on the go. Physical office space must be compelling enough to entice workers to commute in, and include a mix of collaboration and focus areas. Meeting rooms and team culture will need to evolve to ensure all voices are heard.

TENANTS employees

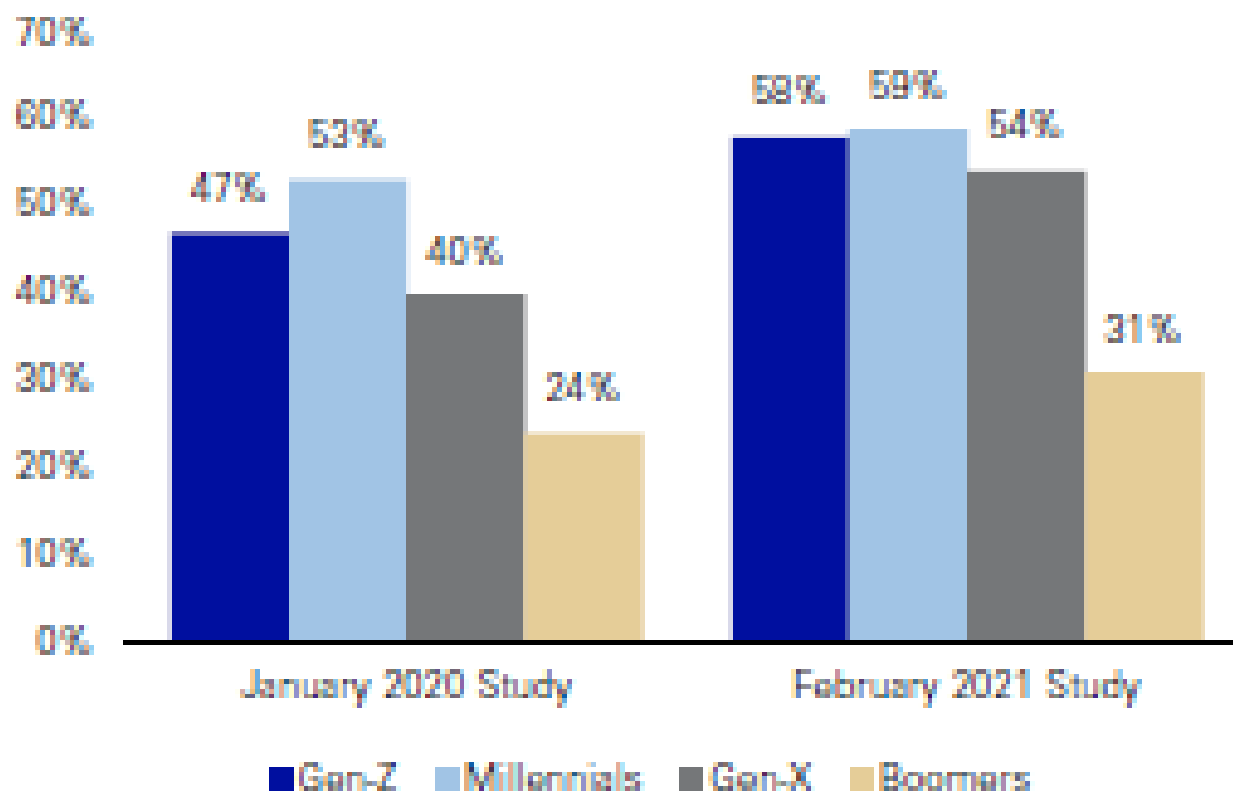
Three Cs

WFH: Fatigue v.
New Normal

Hybrid Workplace

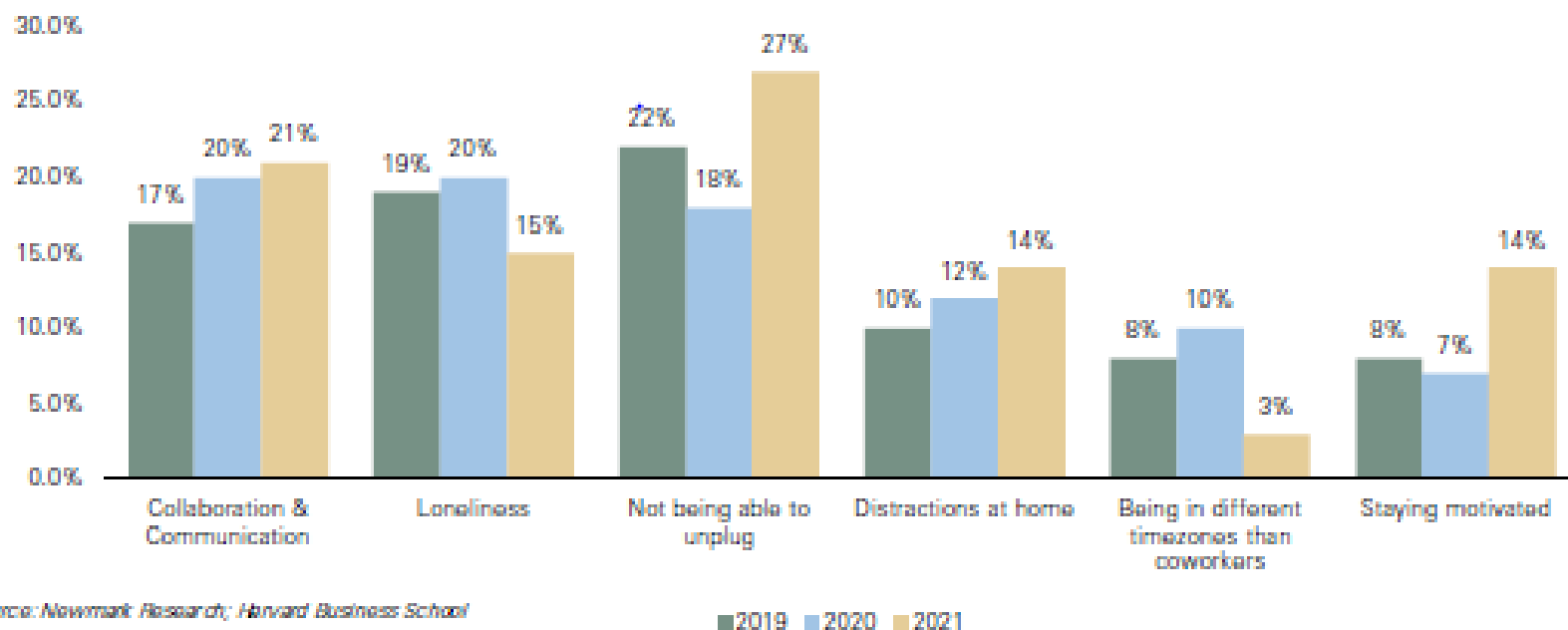
Post-COVID Stress
Disorder & “re-entry
anxiety”

Pandemic-Accelerated Burnout

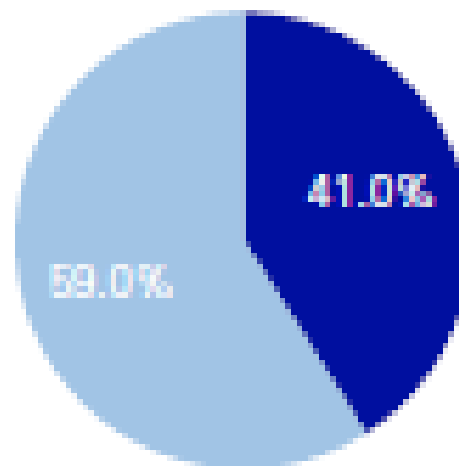


Source: Newmark Research; Indeed

Buffer State of Remote Work Polling: 2019 to 2021 “What’s your biggest struggle with working remotely?”



Polling: Employees Considering Leaving...



- Employees considering leaving their current employer
- Employees content in their current position

Source: Newmark Research; Microsoft 2021 Work Trends Index

- Interest Rates to remain low.
- Major cities will continue to see population decline. Businesses will face the inequality that is all around us.
- Affordable housing remains an issue.
- Environmental, social and corporate governance (ESG) investing steps into the spotlight.

MARKET
outlook

(Forbes)

- Secondary markets targeted for investments than primary markets.
- Industrial and Multifamily will be aggressive
- Investors expanding types of properties in which to invest.
- Tolerance growing – 30% looking at distressed properties.

**MARKET
outlook**

(Forbes)

- Tenant has negotiation power
- Release of Tenant Space. (Forbes)
- The trend continues to have more remote workers and smaller offices with less common areas.
- Older properties will be difficult to lease. (*Cobiz*)

MARKET
office

- Medical Office remains stable
- Non-hospital dependent physician groups moving to off-campus settings
- Mental and Behavioral Health services are in extremely high demand
- Investors and Developers are looking for MOB opportunities

MARKET
medical office (mob)

Benefits	Concerns
Lower private insurance premium rates increasing access to care for certain populations in the state: <ul style="list-style-type: none">• Lower income• Uninsured• Rural populations.	Economic impacts to healthcare providers: <ul style="list-style-type: none">• Reduction in services provided• Reduction in employee salaries• Select facility closure

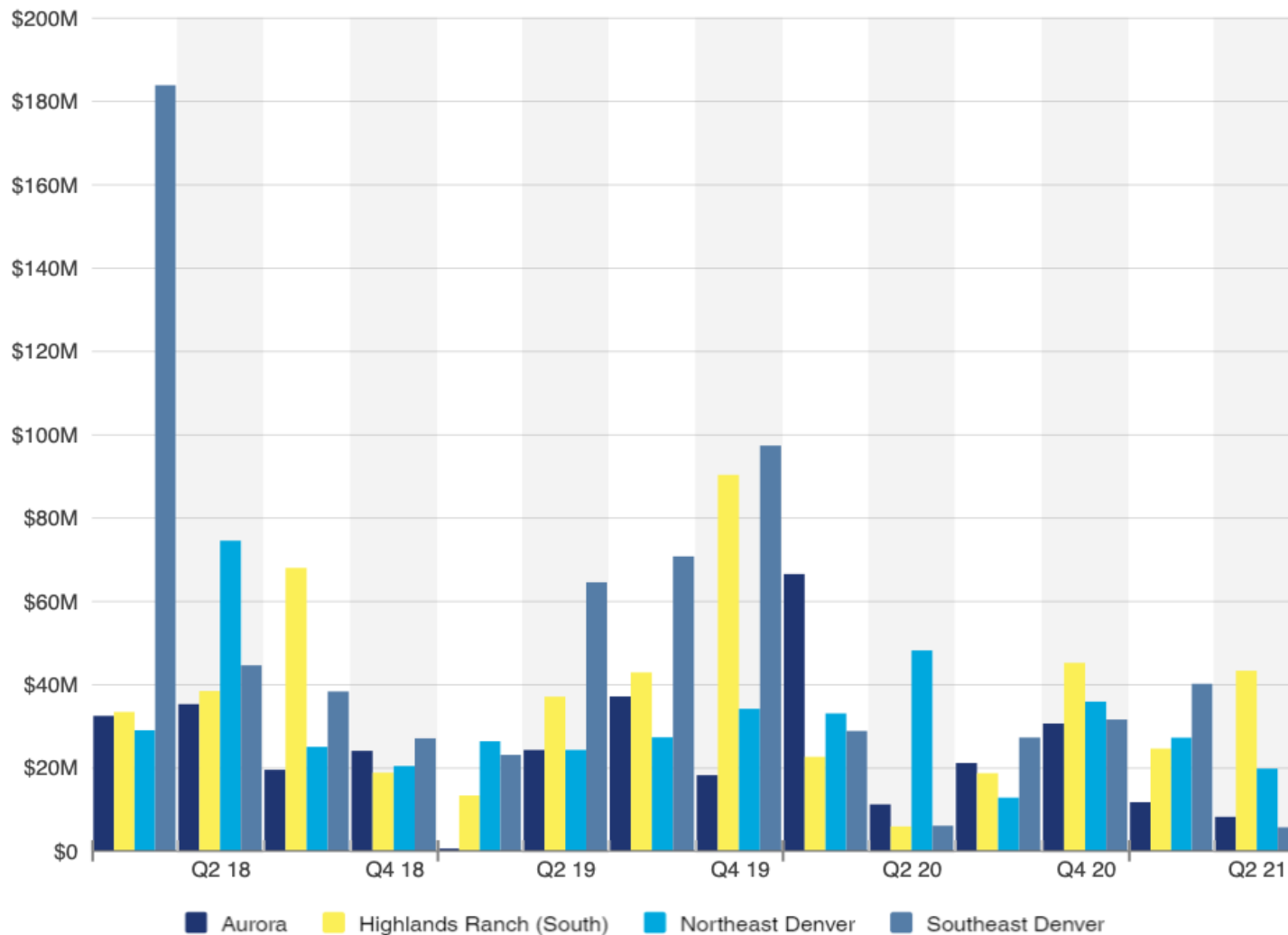
What to expect for MOB owners:

- Compressed lease rates
- Increased tenant improvement requests
- Increase in vacancy; especially for landlords that own on-campus MOBs

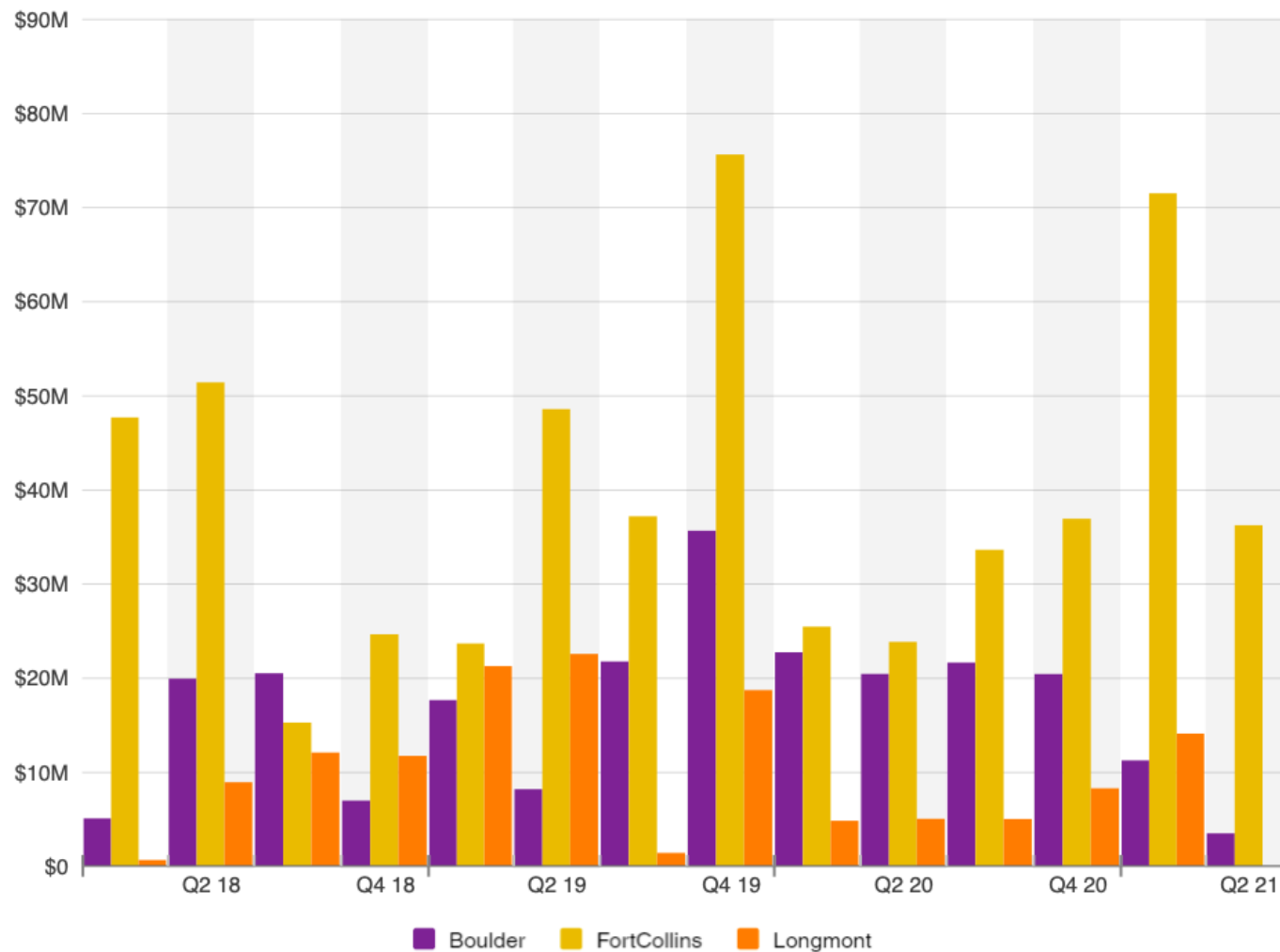
- Distressed sales will increase toward the end of the year, but not comparable to the Great Recession. (Forbes)
- Coronavirus has only exasperated the online pain for brick and mortar.
- In 2021 redeveloping some of the older retail.
- Class A retail in great areas will do okay (think Cherry Creek or Main street in Steamboat Springs, Breckenridge, etc.)(Cobiz)

MARKET
Retail

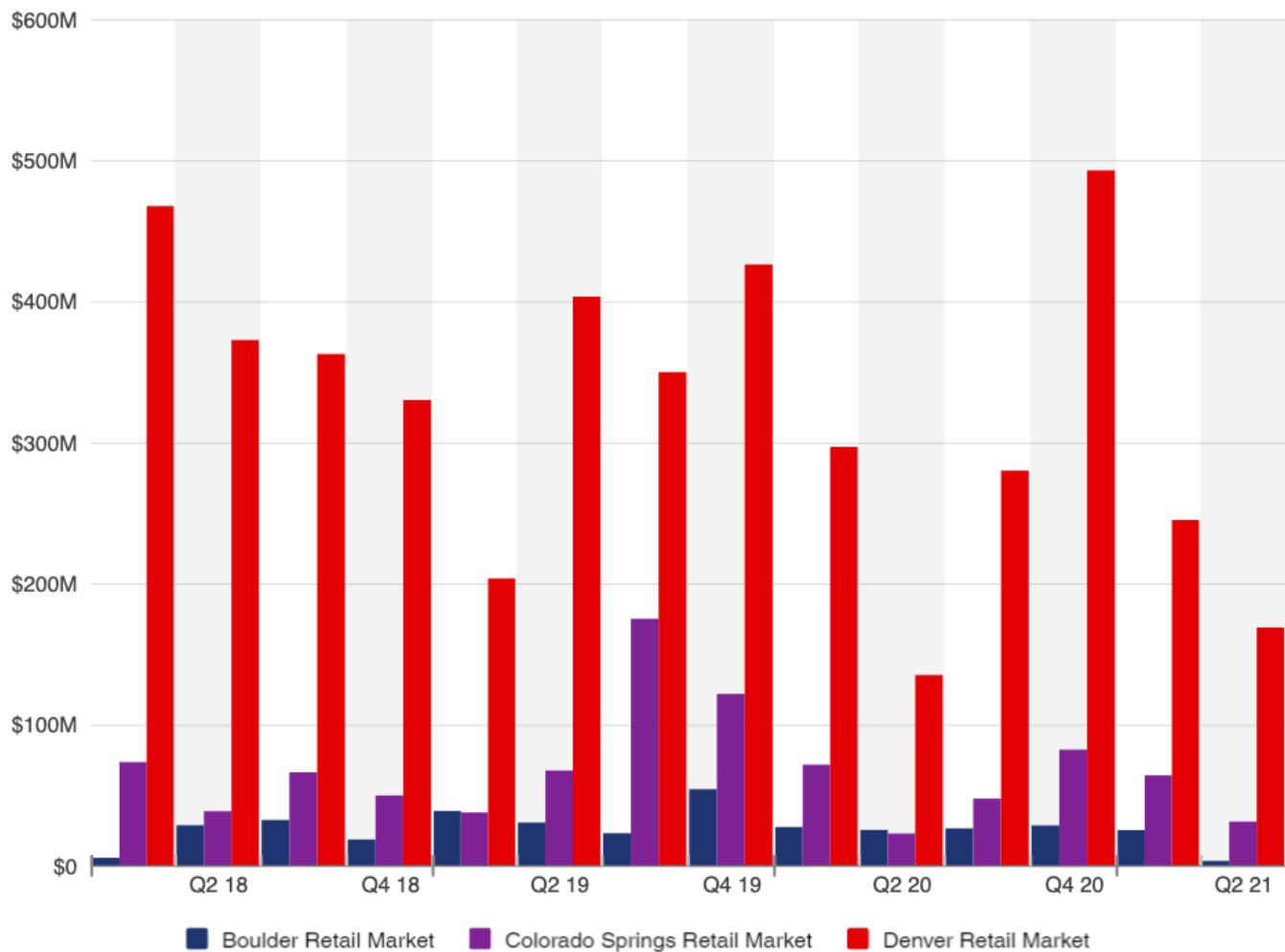
Sales Volume



Sales Volume



Sales Volume

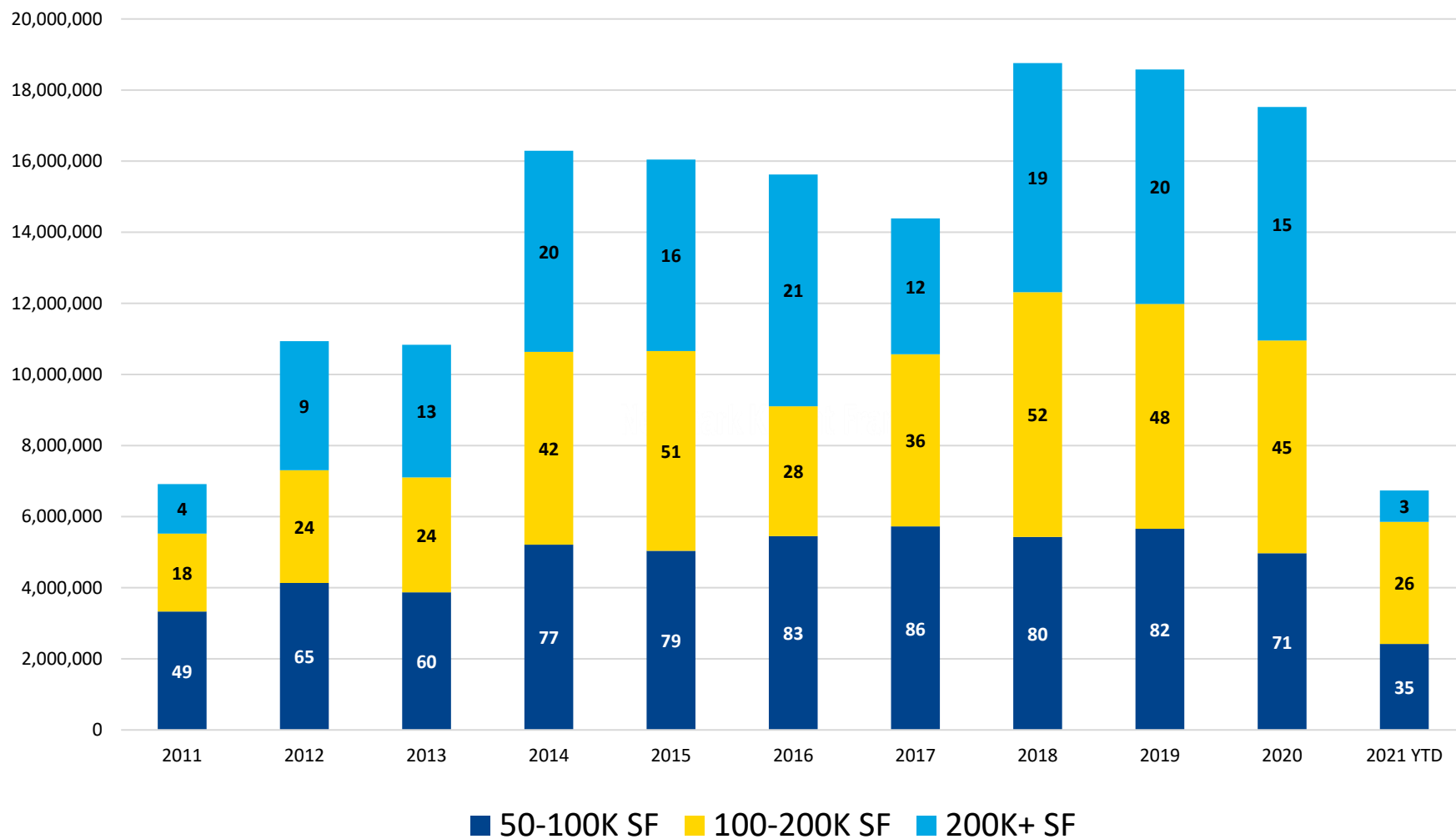


- As retail, hotel and office prices decline between 5% and 10%, industrial to remain very strong. (Forbes)
- 2020 should have seen a correction in the industrial sector due to the cannabis industry.
- High end space A/B will continue to be in high demand
- Industrial and light industrial as the bright spot in commercial real estate. (Cobiz)

MARKET
industrial

- Industrial cap rates continue to compress below 4.00% for class A product
- Amazon, Denver's largest occupier continues to take more space (over 5 million sf)
- Construction costs and real estate taxes are the most significant challenges investors/developers are faced with
- Industrial remains the favorite asset class
- Food and beverage users are an immerging sector

MARKET
industrial



MARKET issues

Limited
Growth

Green
Tsunami

Homelessness

Taxes

Public Safety
/Crime



Commercial Real Estate Post Pandemic



THANK YOU!

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